

Message Text

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ORIGIN NODS-00

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DRAFTED BY E:RASORENSEN

APPROVED BY E:CWROBINSON

S/S - MR. ORTIZ

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TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 201488 TOSEC 100088

NODIS

CHEROKEE

E.O. 11652: GDS

TAGS:ENRG, IR

SUBJECT: US-IRAN BILATERAL AGREEMENT

REF: (1) SECTO 10058; (2) STATE 201435.

FOR THE SECRETARY FROM UNDER SECRETARY ROBINSON

1. YOU ASKED MY FURTHER VIEWS BEFORE ACTING ON MY
RECOMMENDATION REGARDING THE IRAN BILATERAL AGREEMENT.

2. THE OBJECTIVES OF MY PROPOSED RESPONSE TO THE SHAH
ARE (1) TO AVOID REJECTING THE SHAH'S COUNTER PROPOSAL
OUT OF HAND AND (2) TO MAINTAIN A NEGOTIATING POSITION
WITH ALL OPTIONS OPEN UNTIL AFTER OPEC'S NEW PRICE
FORUMULA BECOMES KNOWN.

3. AT THE SAME TIME, MY RESPONSE WOULD (1) AVOID
ACCEPTANCE IN ADVANCE OF A NEW OPEC PRICE, AND (2) AVOID
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ACCEPTANCE OF THE PRINCIPLE OF INDEXATION ON TOP OF THAT

PRICE INCREASE. WE WOULD MAKE CLEAR IN OUR RESPONSE THAT WE COULD NOT CONCLUDE THE NEGOTIATIONS OR SEEK CONGRESSIONAL APPROVAL FOR ANY DEAL UNTIL WE KNEW WHAT THE NEW OPEC PRICE OR PRICE FORMULA WAS GOING TO BE. FURTHERMORE, WE WOULD ALSO MAKE CLEAR THAT THE FINAL

DEAL WOULD OBVIOUSLY HAVE TO BE SUFFICIENTLY ADVANTAGEOUS TO THE US THAT CONGRESSIONAL APPROVAL WOULD BE GUARANTEED, ONCE WE DECIDED TO SEEK IT.

4. AS I SAID IN REF. (2), I BELIEVE THE SHAH WILL REJECT THIS COUNTER PROPOSAL. ON THE OTHER HAND, (1) IT COULD BE THAT HE WOULD MODIFY THE IRANIAN POSITION, (2) IT KEEPS THE NEGOTIATIONS GOING, AND, IF THEY FAIL, (3) IT PLACES US IN A BETTER TACTICAL POSITION TO REOPEN THE NEGOTIATIONS AFTER WE KNOW THE OUTLINE OF THE OPEC PRICE INCREASE BY MAKING YET ANOTHER COUNTER PROPOSAL, SHOULD IT BE IN OUR INTEREST TO DO SO.

5. I WILL HOLD UP FURTHER ACTION ON THIS MATTER UNTIL I RECEIVE YOUR INSTRUCTIONS. MAW

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